MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

DFA5018 – FINANCIAL ACCOUNTING 1

(For Diploma Students Only)

28 OCTOBER 2017
9.00 a.m. – 12.00 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **7** pages with **5** questions.
2. Write your answers in the answer booklet provided.
3. Answer ALL questions.

QUESTION 1

Part A

Answer the following independent questions:

1. Under Generally Accepted Accounting Principles (GAAP), assumptions will provide a foundation for the accounting recording. Briefly explain the **TWO (2)** main assumptions. (4 marks)
2. Users of accounting information will use financial statement in order for them to make decision. Briefly describe the **FIVE (5)** components of financial statements? (5 marks)
3. Identify **FOUR (4)** items that need to be disclosed in notes accompanying the Statement of Owner's Equity according to the Ninth Schedule of Company Act 1965. (2 marks)

Part B

Ammar is the owner of Ammar Bakri Financial Consultant Services. Ammar invested RM40,000 cash in starting his business operating as a sole proprietorship.

During the month March 2017, the following events and transactions occurred.

1. Ammar invested additional RM10,000 cash into his business.
2. Purchased RM600 of office supplies on credit.
3. Purchased office equipment for RM18,000 paying RM4,000 in cash and the balance will be settled in the following months.
4. Ammar billed his client amounted RM4,000 for taxation services performed.
5. Paid RM1,500 in cash for the current month's office rental.
6. Paid RM300 cash for office supplies purchased in transaction 2.
7. Received a bill for RM500 for telephone charges incurred for the current month.
8. Paid RM2,500 cash for his Account Executive salary.
9. Ammar withdrew RM1,500 cash from the his business for living expenses.
10. Received RM3,000 cash from a client in payment on account for the service perform billed in transaction 4.
11. Borrowed RM30,000 from Bank Muamalat on a note payable.

Continued...

Instructions

(a) Starting from transaction (2), identify the impact on the accounting equation. For example answer (1): *Increase in Assets (Cash), Increase in Owner's Equity (Capital).* (10 marks)

(b) Prepare the Statement of Owner's Equity for the Month Ended 31 March 2017. Show any necessary calculations on the side of the items presented. (4 marks)

[TOTAL 25 MARKS]

QUESTION 2

Adli and Syahmi are the partners of Eco Tech Services, a partnership business that provides information technology services. They started their business on 1 January 2017 and the following transactions took place during their first month of operation:

Jan 1 Both partners invested cash in the business with respective amount: Adli, RM15,000 and Syahmi, RM10,000.

5 Billed NBC Enterprise RM2,200 for services performed on account.

5 Signed a one-year rental agreement and paid RM12,000 cash in advance for the first year.

7 Purchased equipment costing RM9,500. A cash payment of RM3,000 was made immediately; the remainder will be paid in two months' time.

8 Paid RM500 cash for insurance incurred for the month.

10 Purchased basic office supplies for RM300 on account.

15 Earned RM12,000 for the services performed to customers, of which RM9,000 in cash and RM3,000 on account.

18 Paid RM300 cash to supplier to settle accounts payable, for 10 January transaction's.

23 Received RM2,200 cash from NBC Enterprise.

25 Paid monthly salaries of RM5,000 in cash.

27 Received January utility bills amounted RM250, to be paid next month.

Continued...

Instructions

(a) Journalize the above transactions. You may omit explanations. (12.5 marks)

(b) Prepare the T-Accounts for Cash. (2.5 marks)

[TOTAL 15 MARKS]

QUESTION 3

Part A

Delima Properties Services started their operation on 1 September 2016. Its trial balance before adjustment on 30 September is as follows:-

	Debit (RM)	Credit (RM)
Cash	35,000	
Supplies	20,800	
Prepaid Insurance	24,000	
Land	120,000	
Buildings	600,000	
Furniture	150,000	
Accounts Payable		48,000
Unearned Rent Revenue		33,000
Mortgage Payable		400,000
Capital		413,800
Rent Revenue		103,000
Advertising Expense	6,000	
Salaries and Wages Expense	33,000	
Utilities Expense	9,000	
	997,800	**997,800**

Additional information:

1. Prepaid insurance is a one-year policy starting 1 September 2016.
2. A count of supplies shows RM7,500 of unused supplies on 30 September 2016.
3. Annual depreciation is RM30,000 on the buildings and RM15,000 on furniture.

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4. The mortgage interest rate is 12% per year. The mortgage was taken out on 1 September 2016.
5. Two-thirds (2/3) of the unearned rent revenue has been earned.
6. Half of the accounts payable has been paid.
7. Collected RM18,000 rent in advance from customers for next month October 2016.
8. Salaries and Wages of RM7,500 are accrued and unpaid at 30 September 2016.

Instructions

(a) Prepare the adjusting entries on 30 September 2016. (10 marks)

(b) Prepare an Adjusted Trial Balance as at 30 September 2016. (6.5 marks)

(c) Prepare the Statement of Comprehensive Income for the month ended 30 September 2016. (6.5 marks)

Part B

Briefly explain the closing entries and identify which account that need to be closed at the end of accounting period.

(2 marks)

[TOTAL 25 MARKS]

QUESTION 4

Part A

Briefly explain the following accounting principles:

a. Historical cost
b. Revenue recognition
c. Matching
d. Full disclosure (4 marks)

Continued...

Part B

Indicate which of those concepts and principles is being violated in each of the following situations:

1. Izwan, the owner of Easy Solution Enterprise combines his saving and business's cash into one bank account.
2. The Statement of Financial Position of Casa Deluxe Corporation, shows that the fixed assets are recorded based on current market value.
3. The financial statements of Z&A Enterprise are prepared by its accountant every 3 years.
4. Sin Ho Enterprise reported its revenue in the period in which the cash is received from customers and expenses are reported when the cash is paid out.
5. Some of the important financial information was not included in the financial statement in order to protect company's reputation.
6. The owner of the new grocery shop assumes that his business will only survive for three years due to high competition.

(6 marks)

[TOTAL 10 MARKS]

QUESTION 5

Part A

Ms. Cecilia, an accountant of Prima Valley Enterprise need to prepare the bank reconciliation after receiving bank statement for the month of August 2016.

The following information are available and need to be taken into consideration to prepare bank reconciliation.

a. Cash book balance of Prima Valley Enterprise shows a balance of RM6504.30 on 31 August 2016.
b. The bank statement includes two charges for returned cheques from customers. One is a dishonored cheque for RM120 received from Mr. Alex. The other is a RM350 cheque received from Lola Enterprise and returned due to 'unathorised signature'.
c. Prima Valley Enterprise pays rent every month by EFT amounting RM1,000.
d. At 31 August , the following cheques are outstanding:

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Cheque number	Amount
125464	RM800
128088	RM324.40
130418	RM225.60

e. The bank statement includes a deposit of RM1,200, collected by the bank on behalf of Prima Valley Enterprise.

f. The bank statement shows that Prima Valley Enterprise earned RM35.70 of interest on its bank balance during June. This amount was added to Prima Valley Enterprise's account by the bank.

g. The bank statement lists a RM10 deduction for the bank service charges.

h. On 31 August, Prima Valley Enterprise deposited RM300, but this deposit doesn't appear on the bank statement.

i. The bank statement includes a RM400 deposit that not belong to Prima Valley Enterprise. The bank wrongly credited into Prima Valley Enterprise account for another bank customer's deposit.

j. The bank statement as at 31 August shows a balance of RM7,710.

Instruction

Prepare the bank reconciliation as at 31 August 2016. (15 marks)

Part B

Listed below are seven errors or problems which might occur in the processing of cash transactions.

1. The same person opens incoming mail and posts the accounts receivable subsidiary ledger.
2. Three people handle cash sales from the same cash register drawer.
3. A clothing store is experiencing a high level of inventory shortages because people try on clothing and walk out of the store without paying for the merchandise.
4. The person who is authorized to sign cheques approves purchase orders for payment.
5. Some cash payments are not recorded because cheques are not pre-numbered.
6. Cash shortages are not discovered because there are no daily cash counts by supervisors.
7. The treasurer of the company has not taken a vacation for over 15 years.

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Instruction

Identify the principle of internal control that is violated in the above situation.

(7 marks)

Part C

The main objectives of a system of internal controls are to safeguard assets and to enhance the accuracy and reliability of the accounting records.

Identify the **THREE (3)** factors that will affect the implementation of a system of internal controls.

(3 marks)

[TOTAL 25 MARKS]

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